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ZENITH EDUCATION GROUP

**Report of Independent Monitor
April 30, 2015**

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<p>ATTORNEY-CLIENT PRIVILEGED REPORT. DISCLOSURE PERMITTED ONLY TO THE UNITED STATES DEPARTMENT OF EDUCATION UNDER LIMITED WAIVER OF PRIVILEGE.</p>
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Time Period: This report reflects the Monitor's activities from March 20, 2015 through April 24, 2015.

1. Marketing Materials

- a. Monthly report to include description of marketing materials reviewed to date

Status:

Monitor has received an initial batch of marketing materials from Zenith. These materials include TV media, Internet media, webpages for Everest.edu and WyoTech.edu, Newspaper creative, Print Media (Yellow pages, Displays, Flyers), and Email Campaigns.

Monitor has developed a review template and method for reviewing marketing materials for compliance with federal and state laws and for required disclosures.

Monitor is in the process of reviewing the marketing materials. The Monitor will provide a report as to reviewed documents in the May 30, report.

2. Admissions/Recruitment

- a. Employees
 - Monthly report to include description of documents reviewed related to training, supervision, compensation of employees performing admissions and recruitment functions
 - Monthly review to describe sampling of calls and emails to and from prospective students to Zenith related to Admissions and Recruiting
- b. Third Parties/Lead Generators
 - Monthly review to identify materials reviewed related to third parties or lead generators

Status:

Document Review:

Enrollment Agreements. The monitor has received Enrollment Agreements as set forth in Section 3, Attachment A. The Monitor is in the process of reviewing the Enrollment Agreements. The Monitor has made a finding regarding compliance with the Accreditation Status Disclosure (See Section 2, attached). A full review of the Enrollment Agreements is ongoing and will be completed for the May 30 Monitor Report.

Other documents. The other written materials received by the Monitor related to training materials related to admission, recruitment, and Vendor Agreements are included in Document Review set forth under item 1(a) to allow consistency in reviewing and reporting.

Training Sessions:

The Monitor has observed training related to training for admissions representatives.

Findings: See Section 2, attached.

Admissions Call Monitoring:

Based on recommendations of NORC to create a statistically valid sample, admissions calls will be reviewed by the Monitor for recorded calls. Selection of calls will be recommended by NORC each month for the preceding month and will focus only on recorded calls. This process has been recommended to allow for 1) focus on campus level and regional level error rates; 2) attrition among staff; 3) feasibility of monitoring full calls.

CCI, the prior owner/operator of the Everest and Wyotech schools had implemented very limited call recording capability. Under the prior owner/operator, marketing calls made to prospective students were recorded. These calls would, at most, have resulted in transfers to admissions representatives who were responsible for interviews and enrollment. Calls made by online and ground campus admissions representatives were not previously recorded. After review of the call volumes which were available for recorded review, the Monitor concluded that review of the partial set of call recordings would not present a valid sample of admissions and recruitment calls.

Zenith has been working diligently to expand the call recording capabilities of the organization from the limited capacity that previously existed. As of April 10, Zenith has implemented call recording for significant portion of the admissions and marketing process as permitted by existing technological capabilities of the organization. As expanded, online admissions calls will be recorded, both inbound and outbound, including manually dialed calls and auto-dialer dialed calls. Calls transferred to ground campus admissions from marketing are also currently being recorded.

Based on the current state of implementation, the Monitor will begin reviewing recorded admissions calls starting in May. The Monitor will review calls that were recorded between April 10 and April 30 according to a review method recommended by NORC.

3. Oversight Over Required Disclosures

- a. Completion Rates – Monthly report to include description of materials reviewed related to date of completion
- b. Placement Rates – Monthly reporting regarding placement rates
- c. Accreditation Status – One time reporting in monthly report regarding agreed disclosure in Enrollment Agreement

Status:

Monitor has not begun reviewing Completion or Placement Rates. Zenith is in the process of determining Completion Rates and Placement Rates. Current disclosures are based on the rates calculated by the prior owner/operator CCI. Zenith has asked the Department for clarification regarding calculation of these rates and is awaiting feedback from the Department. The Monitor will review these calculations after such feedback and upon completion of Zenith's calculations.

Finding regarding Accreditation Status Disclosure:

See Section 3, attached.

4. Student Choice

- a. Summary of Student Choice implementation in Monthly report for first two months

Status: Completed. Report included in March 30, 2015 report.

5. Tuition Reduction Program/Zenith Graduation Scholarship

- a. One time summary of implementation of Tuition Reduction program
- b. One time summary of implementation of Zenith Graduation Scholarship

Status:

The Monitor has reviewed training material for the Tuition Reduction and Graduation Scholarship Program. The Monitor has observed training related to the Graduation Scholarship and Tuition Reduction Program. The Monitor has also reviewed the Graduation Scholarship Application.

Preliminary Findings:

See Section 5, Attached. The Monitor will update the Monitor's Report upon completion of the review of implementation of these programs.

6. Zenith Grant Program/Institutional Loans

- a. One time summary of implementation and materials for Zenith Grant Program

Status:

The Monitor has reviewed training material for the Zenith Grant Program. The Monitor will update the Monitor's Report upon completion of the review of the implementation of this program.

Preliminary Findings:

See Section 6, Attached. The Monitor will update the Monitor's Report upon completion of the review of implementation of these programs.

Section 2. Admissions/Recruitment

Training Sessions

The Monitor observed training implemented by Zenith for the following topic areas

- a. Training Session for Ground Campus Academic and Financial Representatives relating to Initial Contact with Prospective Students, Campus Interviews and Enrollment
- b. Trainings Session for New Hire Enrollment Team regarding Zenith Evaluation of Admissions/Recruitment Employees
- c. Training Session for Team Leadership of Ground Campus Employees regarding evaluation of Admissions/Recruiting Employees.

Findings:

1. The sessions did not contain any recommended practices or examples of interactions with prospective students that would violate Department regulations regarding misrepresentations or required disclosures.
2. The sessions demonstrated that employee evaluations were focused on observations employee performance, assessment of demonstration of Zenith company values and satisfaction surveys by students and prospective students.
3. No part of the sessions indicated that employees would be in any way evaluated or compensated based on the number of students who enrolled at the campus.

Section 3. Oversight over Disclosures

Enrollment Agreements

Findings:

Monitor has reviewed all of the Everest and Wyotech Enrollment Agreements for all Zenith schools not in teach out (listed herein) and has confirmed that the following language is contained in a black box titled “Accreditation Status Disclosure”:

Except in limited circumstances, courses and credits from the School will not transfer to other schools, and a degree from the School will not be honored for admission to an advanced degree program.

The text of this disclosure is in 12 point font and is two point sizes larger than any other text on the page of the Enrollment Agreement containing the disclosure.

Everest	State	Campus	Everest	State	Campus
	Colorado	Aurora		Michigan	Detroit
	Colorado	Co Springs		Michigan	Southfield
	Colorado	Thornton		Missouri	Kansas City
	Florida	Brandon		Missouri	Springfield
	Florida	Jacksonville		Nevada	Henderson
	Florida	Lakeland		New Jersey	South Plainfield
	Florida	Largo		Ohio	Gahanna
	Florida	Melbourne		Oregon	Tigard
	Florida	North Orlando		Oregon	Portland
	Florida	Orange Park		Pennsylvania	Pittsburgh
	Florida	Pompano Beach		Texas	Arlington
	Florida	South Orlando		Texas	Dallas
	Florida	Tampa		Texas	Fort Worth South
	Florida	Online		Texas	Austin
	Georgia	Atlanta			Houston
	Georgia	Jonesboro		Texas	Bissonnett
	Georgia	Marietta			Houston
	Georgia	Norcross		Texas	Greenspoint
	Illinois	Bedford Park		Texas	Houston Hobby
	Illinois	Melrose Park		Texas	San Antonio
	Illinois	Skokie		Virginia	Chesapeake
	Illinois	Burr Ridge		Virginia	Newport News
	Illinois	Merrionette Park		Virginia	Woodbridge
	Michigan	Dearborn		Washington	Bremerton
				Washington	Everett

Everest	State	Campus
	Washington	Renton
	Washington	Seattle
	Washington	Tacoma
	Washington	Vancouver
	Washington	Bremerton
	Washington	Everett
	Washington	Tacoma
	Washington	Vancouver

Wyotech	State	Campus
	Pennsylvania	Blairsville
	Florida	Daytona
	Wyoming	Laramie

5. Tuition Reduction Program/Zenith Graduation Scholarship

a. Tuition Reduction Program:

The Monitor has reviewed written materials and training related to the implementation of the Tuition Reduction Program.

Preliminary Findings:

Zenith has implemented a tuition reduction program for new students enrolled at Zenith. This program reduces tuition for programs by 20%. Students who are eligible for this program are as follows

- New students who enroll on or after February 2, 2015
- Re-Entry students who have been withdrawn for more than 180 days
- Graduates who enter a new program

Non-Eligible Students

Current students as of February 2, 2015 may apply for the Zenith Graduation Scholarship, described below.

No application is necessary for the Tuition Reduction Program. The Tuition Reduction has been implemented through an automated change in tuition schedules. Zenith has indicated that only the new reduced fee schedule is active. The Monitor is reviewing methods to verify implementation of the reduced tuition schedule and will make a final finding upon verification of the implementation.

b. Graduation Scholarship

The Monitor has reviewed written materials and training related to the implementation of the Zenith Graduation Scholarship Program.

Preliminary Findings:

Zenith has implemented a graduation scholarship for current students in order to allow them to receive a similar benefit to the Tuition Reduction implemented for new students. The Graduation Scholarship requires application by the student in a Graduation Financial Assistance Application. For students who apply on or before May 2, 2015, the amount of the Graduation Scholarship will prorate to February 2, 2015. For applications submitted after May 2, the Scholarship amount will be calculated as of the date of the Student's application.

The one page application discloses the following requirements to receive the Scholarship

- The Student must continue to maintain satisfactory academic progress in any program of study and comply with the student code of conduct in order to qualify.
- The Student must successfully complete his or her current program of study in order to qualify.
- The amount of the Student's financial assistance varies from student to student and is based on a proration of tuition charges over the time remaining in the student's program of study.

The Scholarship is described as "an amount applied to the student account as a non-cash payment at the time of graduation to cover any outstanding tuition or fee expenses."

Credit balances are handled in one of the following ways:

- Payment to the government as reimbursement for payments received by Everest from the Student's federal student loans to reduce the student's loan obligation;
- A payment to the lender as reimbursement for the payments from a private student loan that the lender directly disbursed to Everest; or
- A payment to the Student for any tuition that the Student previously paid to Everest directly.

The Monitor will update this finding as to the applications after the May 2, application deadline for the initial period.

Section 6. Zenith Grant Program/Institutional Loans

The Monitor has reviewed written materials and training related to the implementation of the Zenith Grant Program.

Preliminary Findings:

Zenith has implemented the Zenith Student Grant Program to assist meeting financial gap between sources of funding and direct educational costs.

1. Eligibility
 - a. New Student Eligibility:
 - Students enrolling on or after 02/02/2015
 - b. Current Student eligibility:
 - For Academic Years starting on or after 02/02/2015
 - Student must maintain SAP
 - Student meet application deadline
 - c. Reentry Student Eligibility:
 - Eligibility based on remaining cost of program
 - Grant does not cover prior balances
 - d. Dependent students Eligibility
 - Student & Parent must complete a FAFSA
 - Parents either must (1) be denied for a Parent Loan for Undergraduate Students (PLUS) or (2) refuse to apply for PLUS
2. Application
 - a. Student must reapply every academic year
 - b. Student must meet the eligibility requirements every academic yearFinancial Aid Estimate signed by the Student for the subsequent Academic Year constitutes the student's application for the Zenith Grant Program.
3. Amount.

The Zenith Student Grant Program is based on financial need.

Calculation
 - Amount of Institutional Direct Cost
 - (Less) Expected Family Contribution (EFC)
 - (Less) Maximum of all sources of Funding
 - = (Equals) Remaining Financial Need

The maximum award is \$10,000 per Academic Year. If Remaining Financial Need is more than \$10,000, Student will still have a Student Contribution Balance Due. Example below:

Item	Amounts
Institutional Direct Costs	\$ 22,450
Pell Grant	\$ (3,000)
Federal Direct Loans	\$ (18,500)
Other non-Title IV sources	\$ (950)
Remaining Student Balance	\$ 950
Student's EFC	\$ (1050)
Institutional Grant Award	\$ 0
Institutional Grant Maximum	\$ (10,000)
Student Contribution (AR Balance)	\$ 950

The minimum remaining financial need that will trigger Grant Program is a gap of \$100 per Academic Year. The Zenith Grant is not permitted to be used toward living expenses. It is permitted to be used only for current academic year direct costs.

The Monitor will update the Report upon fiscal review of the implementation of the Grant program and include amounts per quarter.